

LAMONI COMMUNITY SCHOOL DISTRICT
LAMONI, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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LAMONI COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Judy Badder	President	2004
William Morain	Vice President	2005
Lois Russell	Board Member	2004
Alan Elefson	Board Member	2006
Mary Ann Manuel	Board Member	2006
<u>Board of Education</u>		
(After September 2004 Election)		
Alan Elefson	President	2006
William Morain	Vice President	2005
Mary Ann Manuel	Board Member	2006
Mischele Dickey-Kotz	Board Member	2007
Bob Bell	Board Member	(Military Leave) 2007
Mike Ranney	Board Member	(Appointed 5-23-05) Indefinite
<u>School Officials</u>		
Michael Harrold	Superintendent	2007
Linda Hamaker	District Secretary/Treasurer	2005
Ahlers & Cooney, P.C.	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Lamoni Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Lamoni Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Lamoni Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2005 on our consideration of Lamoni Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamoni Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
August 16, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lamoni Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follows:

Financial Highlights

The District's revenues totaled \$3,924,459 for the year ended June 30, 2005, an 8.6 percent increase over the prior year. Revenues included \$1,217,903 in local tax, charges for service of \$363,704, operating grants, contributions and restricted interest of \$884,687, unrestricted interest of \$23,699 and other general revenues of \$1,434,466.

Expenses for the District operations totaled \$3,550,437, a .9 percent increase over the prior year. Expenses included \$2,104,410 for instructional services, \$370,490 for administration services, and \$364,932 for operation and maintenance of plant services.

The general fund balance at the beginning of the 2005 school year was \$880,753 as compared to the general fund balance at the end of the 2005 school year of \$928,750. This represents a net change of +47,997. This is a result of approximately \$37,000 of teacher quality money, which was inadvertently not distributed to the teachers. This money will be distributed along with the 2006 teacher quality money during the 2006 school year.

The total governmental fund balances at the beginning of the 2005 school year was \$1,232,875 as compared to \$1,418,073 at the end of the 2005 school year. This represents a net change of +\$185,198.

Overview of the Financial Statements

This report consists of the three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are Fund Financial Statements that focus on individual parts of the District, reporting District's operations in more detail than the District-wide statements.

The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.

The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or difference between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Fund.

Proprietary Funds: Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as the business-type activities, but provides more detail and addition information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust fund, used to account for outside donations for scholarships for individual students.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operation.

Financial Analysis of the District as a Whole

Comparative Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		
	June 30,		June 30,		June 30,		%
	2005	2004	2005	2004	2005	2004	Change
Current and other assets	\$ 2,491,762	\$ 2,386,436	\$ 30,113	\$ 31,076	\$ 2,521,875	\$ 2,417,512	4.32
Capital assets	<u>2,116,002</u>	<u>1,933,514</u>	<u>9,445</u>	<u>11,231</u>	<u>2,125,447</u>	<u>1,944,745</u>	9.29
Total assets	<u>4,607,764</u>	<u>4,319,950</u>	<u>39,558</u>	<u>42,307</u>	<u>4,647,322</u>	<u>4,362,257</u>	6.53
Long-term obligations	425,000	575,000	-	-	425,000	575,000	(26.09)
Other obligations	<u>982,998</u>	<u>1,065,234</u>	<u>6,395</u>	<u>4,133</u>	<u>989,393</u>	<u>1,069,367</u>	(7.48)
Total liabilities	<u>1,407,998</u>	<u>1,640,234</u>	<u>6,395</u>	<u>4,133</u>	<u>1,414,393</u>	<u>1,644,367</u>	(13.99)
Net Assets							
Invested in capital Assets, net of related debt restricted	1,691,002	1,358,514	9,445	11,231	1,700,447	1,369,745	24.14
Unrestricted	<u>503,523</u>	<u>243,321</u>	<u>-</u>	<u>-</u>	<u>503,523</u>	<u>243,321</u>	106.94
	<u>1,005,241</u>	<u>1,077,881</u>	<u>23,718</u>	<u>26,943</u>	<u>1,028,959</u>	<u>1,104,824</u>	(6.87)
Total net assets	\$ <u>3,199,766</u>	\$ <u>2,679,716</u>	\$ <u>33,163</u>	\$ <u>38,174</u>	\$ <u>3,232,929</u>	\$ <u>2,717,890</u>	18.95

Changes in Net Assets

	Governmental Activities		Business Type Activities		Total School District		% Change
	2005	2004	2005	2004	2005	2004	
Program revenues:							
Charges for services and sales	\$ 303,911	\$ 360,582	\$ 59,793	\$ 57,810	\$ 363,704	\$ 418,392	(13.07)
Operating grants, contributions, and restricted interest	810,008	703,879	74,679	64,823	884,687	768,702	15.09
Capital grants, contributions, and restricted interest	-	48,280	-	-	-	48,280	(100.00)
General revenues:							
Property tax	921,328	954,906	-	-	921,328	954,906	-3.52
Local option sales and service tax	179,560	36,860	-	-	179,560	36,860	387.14
Income surtax	117,015	94,599	-	-	117,015	94,599	23.7
Unrestricted state grants	1,388,293	1,238,022	-	-	1,388,293	1,238,022	12.14
Unrestricted investment earnings	23,462	10,041	237	105	23,699	10,146	133.58
Other	<u>46,173</u>	<u>42,418</u>	<u>-</u>	<u>-</u>	<u>46,173</u>	<u>42,418</u>	8.85
Total Revenue	<u>3,789,750</u>	<u>3,489,587</u>	<u>134,709</u>	<u>122,738</u>	<u>3,924,459</u>	<u>3,612,325</u>	8.64
Program Expenses:							
Government activities:							
Instruction	2,104,410						
Support services	1,125,787						
Non-instructional programs	4,233						
Other expenses	<u>176,287</u>						
Total governmental activities	<u>3,410,717</u>						
Food service operations:							
Non-instructional programs	<u>139,720</u>						
Total Expenses	<u>3,550,437</u>						
Change in net assets	<u>\$ 374,022</u>						

Governmental Activities

Revenues for governmental activities were \$3,789,750 and expenses were \$3,410,717.

The following table presents the total and net cost of the District's major governmental activities: Instruction, support services, non-instructional programs and other expenses.

Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,104,410	\$ 1,188,743
Support services	1,125,787	1,033,252
Non-instructional programs	4,233	2,879
Other expenses	<u>176,287</u>	<u>71,924</u>
Totals	\$ <u>3,410,717</u>	\$ <u>2,296,798</u>

The cost financed by users of the District's programs was \$303,911.

Federal and state governments subsidized certain programs with grants and contributions totaling \$810,008.

The net cost of governmental activities was financed with \$921,328 in property tax, \$1,388,293 in state foundation aid, \$117,015 in income surtax, \$179,560 in local option sales tax, \$23,462 in interest income, and \$46,173 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$134,709 and expenses were \$139,720. The District's business-type activities included the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Fund

The Lamoni Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,418,073, an increase of \$185,198 from the prior year.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust fund. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in this budgetary comparison.

Legal Budgetary Highlights

The District's total actual receipts were \$182,024 greater than the total budgeted receipts, a variance of 5%.

Expenditures did not exceed amounts budgeted in any functional area. Overall, expenditures were \$1,025,092 less than budgeted, a variance of 21%.

Capital Assets and Debt Administration

Capital Assets, net Depreciation

The year end balance of the District's capital assets was \$2,125,447, net of accumulated depreciation of \$1,384,343. Governmental funds account for \$2,116,002 with the remainder of \$9,445 in the Proprietary, School Nutrition Fund. More detailed information is available in note 4 to the financial statements.

	Governmental Activities	Business-Type Activities	Total School District
Land	\$ 5,000	\$ -	\$ 5,000
Construction in progress	1,030,541	-	1,030,541
Buildings	986,220	-	986,220
Improvements other than buildings	26,999	-	26,999
Furniture and equipment	67,242	9,445	76,687
Total	<u>\$ 2,116,002</u>	<u>\$ 9,445</u>	<u>\$ 2,125,447</u>

Long-Term Debt

At June 30, 2005, the District had long-term debt totaling \$425,000 for the remainder of a \$500,000 capital loan note to renovate the elementary building. More detailed information about the District's long-term liabilities is available in note 5 to the financial statements.

Factors Bearing on the District's Future

The District has voted for a new High School to be constructed starting in the summer of 2006 at a cost of approximately \$2,700,000.

The District has decided to vote for construction of a gym with the vote to take place in March of 2006. The High School vote passed in October of 2005 but the gym vote has yet to be completed.

District enrollment has decreased over the last two years but our year projection sees the District's enrollment increasing.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Charlene Simmerman, Business Manager/District Secretary/Treasurer, or Mike Harrold, Superintendent, at Lamoni Community School District, 202 North Walnut Street, Lamoni, Iowa 50140.

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Basic Financial Statements

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,459,320	\$ 27,012	\$ 1,486,332
Receivables:			
Property tax:			
Current year	23,287	-	23,287
Succeeding year	752,000	-	752,000
Income surtax	91,789	-	91,789
Accrued interest	3,366	26	3,392
Due from other governments	162,000	1,615	163,615
Inventories	-	1,460	1,460
Capital assets, net of accumulated depreciation (note 4)	2,116,002	9,445	2,125,447
Total assets	4,607,764	39,558	4,647,322
Liabilities			
Accounts payable	15,658	1,908	17,566
Salaries and benefits payable	214,242	4,487	218,729
Accrued interest payable	1,098	-	1,098
Deferred revenue:			
Succeeding year property tax	752,000	-	752,000
Long-term liabilities (note 5):			
Portion due within one year:			
Notes payable	50,000	-	50,000
Portion due after one year:			
Notes payable	375,000	-	375,000
Total liabilities	1,407,998	6,395	1,414,393

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 1,691,002	\$ 9,445	\$ 1,700,447
Restricted for:			
Management levy	83,949	-	83,949
Physical plant and equipment levy	166,169	-	166,169
Other special revenue purposes	34,665	-	34,665
Debt service	16,523	-	16,523
Capital projects	202,217	-	202,217
Unrestricted	<u>1,005,241</u>	<u>23,718</u>	<u>1,028,959</u>
Total net assets	<u>\$ 3,199,766</u>	<u>\$ 33,163</u>	<u>\$ 3,232,929</u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 1,213,788	\$ 97,271	\$ 323,542
Special instruction	574,898	106,496	293,337
Other instruction	315,724	87,675	7,346
	<u>2,104,410</u>	<u>291,442</u>	<u>624,225</u>
Support services:			
Student services	161,457	-	81,420
Instructional staff services	57,960	-	-
Administration services	370,490	-	-
Operation and maintenance of plant services	364,932	2,949	-
Transportation services	170,948	8,166	-
	<u>1,125,787</u>	<u>11,115</u>	<u>81,420</u>
Non-instructional programs	<u>4,233</u>	<u>1,354</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	10,024	-	-
Long-term debt interest and fiscal charges	19,842	-	-
AEA flowthrough	104,363	-	104,363
Depreciation (unallocated) *	42,058	-	-
	<u>176,287</u>	<u>-</u>	<u>104,363</u>
Total governmental activities	3,410,717	303,911	810,008
Business-Type Activities:			
Non-instructional programs:			
Food service operations	<u>139,720</u>	<u>59,793</u>	<u>74,679</u>
Total	\$ 3,550,437	\$ 363,704	\$ 884,687

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (792,975)	\$ -	\$ (792,975)
(175,065)	-	(175,065)
(220,703)	-	(220,703)
<u>(1,188,743)</u>	<u>-</u>	<u>(1,188,743)</u>
(80,037)	-	(80,037)
(57,960)	-	(57,960)
(370,490)	-	(370,490)
(361,983)	-	(361,983)
(162,782)	-	(162,782)
<u>(1,033,252)</u>	<u>-</u>	<u>(1,033,252)</u>
<u>(2,879)</u>	<u>-</u>	<u>(2,879)</u>
(10,024)	-	(10,024)
(19,842)	-	(19,842)
-	-	-
(42,058)	-	(42,058)
<u>(71,924)</u>	<u>-</u>	<u>(71,924)</u>
(2,296,798)	-	(2,296,798)
-	(5,248)	(5,248)
<u>(2,296,798)</u>	<u>(5,248)</u>	<u>(2,302,046)</u>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 10)

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 726,696	\$ -	\$ 726,696
111,500	-	111,500
83,132	-	83,132
117,015	-	117,015
179,560	-	179,560
1,388,293	-	1,388,293
23,462	237	23,699
46,173	-	46,173
2,675,831	237	2,676,068
379,033	(5,011)	374,022
2,820,733	38,174	2,858,907
\$ 3,199,766	\$ 33,163	\$ 3,232,929

LAMONI COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 1,052,450	\$ 406,870	\$ 1,459,320
Receivables:			
Property tax:			
Current year	17,186	6,101	23,287
Succeeding year	631,000	121,000	752,000
Income surtax	76,491	15,298	91,789
Accrued interest	2,334	1,032	3,366
Due from other governments	83,693	78,307	162,000
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>1,863,154</u>	\$ <u>628,608</u>	\$ <u>2,491,762</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 12,671	\$ 2,987	\$ 15,658
Salaries and benefits payable	214,242	-	214,242
Deferred revenue:			
Succeeding year property tax	631,000	121,000	752,000
Other	76,491	15,298	91,789
Total liabilities	<u>934,404</u>	<u>139,285</u>	<u>1,073,689</u>
Fund balance:			
Reserved for:			
Debt service	-	17,621	17,621
Unreserved:			
Reported in nonmajor Special			
Revenue Funds	-	269,485	269,485
Undesignated	928,750	202,217	1,130,967
Total fund balances	<u>928,750</u>	<u>489,323</u>	<u>1,418,073</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>1,863,154</u>	\$ <u>628,608</u>	\$ <u>2,491,762</u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2005

Total fund balances of governmental funds	\$ 1,418,073
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,116,002
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	91,789
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,098)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(425,000)</u>
Net assets of governmental activities	<u>\$ 3,199,766</u>
See notes to financial statements.	

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 755,501	\$ 460,569	\$ 1,216,070
Tuition	196,308	-	196,308
Other	82,514	96,481	178,995
Intermediate sources	44,442	-	44,442
State sources	1,767,497	-	1,767,497
Federal sources	383,859	-	383,859
Total revenues	<u>3,230,121</u>	<u>557,050</u>	<u>3,787,171</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,199,287	-	1,199,287
Special instruction	574,898	-	574,898
Other instruction	231,580	84,144	315,724
	<u>2,005,765</u>	<u>84,144</u>	<u>2,089,909</u>
Support services:			
Student services	161,457	-	161,457
Instructional staff services	57,960	-	57,960
Administration services	362,637	3,599	366,236
Operation and maintenance of plant services	320,315	44,617	364,932
Transportation services	166,140	-	166,140
	<u>1,068,509</u>	<u>48,216</u>	<u>1,116,725</u>
Non-instructional programs	<u>4,233</u>	<u>-</u>	<u>4,233</u>
Other expenditures:			
Facilities acquisition	-	117,116	117,116
Long term debt:			
Principal	-	150,000	150,000
Interest and fiscal charges	-	20,373	20,373
AEA flowthrough	104,363	-	104,363
	<u>104,363</u>	<u>287,489</u>	<u>391,852</u>
Total expenditures	<u>3,182,870</u>	<u>419,849</u>	<u>3,602,719</u>
Excess of revenues over expenditures	<u>47,251</u>	<u>137,201</u>	<u>184,452</u>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Sale of equipment	\$ 746	\$ -	\$ 746
Interfund transfers in	-	59,278	59,278
Interfund transfers out	-	(59,278)	(59,278)
Total other financing sources (uses)	<u>746</u>	<u>-</u>	<u>746</u>
Net change in fund balances	47,997	137,201	185,198
Fund balances beginning of year	<u>880,753</u>	<u>352,122</u>	<u>1,232,875</u>
Fund balances end of year	<u>\$ 928,750</u>	<u>\$ 489,323</u>	<u>\$ 1,418,073</u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 185,198

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 107,092	
Depreciation expense	<u>(65,621)</u>	41,471

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 1,833

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 150,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

531

Change in net assets of governmental activities \$ 379,033

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2005

	Non-Major Enterprise Fund
	<u>Fund</u>
Assets	
Cash and cash equivalents	\$ 27,012
Interest receivable	26
Due from other governments	1,615
Inventories	1,460
Capital assets, net of accumulated depreciation	<u>9,445</u>
Total assets	<u>39,558</u>
Liabilities	
Accounts payable	1,908
Salaries and benefits payable	<u>4,487</u>
Total liabilities	<u>6,395</u>
Net Assets	
Invested in capital assets, net of related debt	9,445
Unrestricted	<u>23,718</u>
Total net assets	<u>\$ 33,163</u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005

	Non-Major Enterprise Fund
	<u>Fund</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>59,793</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	43,258
Benefits	23,293
Purchased services	2,775
Supplies	68,528
Depreciation	1,786
Other	80
	<u>139,720</u>
Operating loss	<u>(79,927)</u>
Non-operating revenues:	
Interest on investments	237
State sources	1,886
Federal sources	<u>72,793</u>
Total non-operating revenues	<u>74,916</u>
Change in net assets	(5,011)
Net assets beginning of year	<u>38,174</u>
Net assets end of year	\$ <u><u>33,163</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 59,802
Cash payments to employees for services	(65,026)
Cash payments to suppliers for goods or services	<u>(63,305)</u>
Net cash used in operating activities	<u>(68,529)</u>
Cash flows from non-capital financing activities:	
State grants received	1,799
Federal grants received	<u>63,552</u>
Net cash provided by non-capital financing activities	<u>65,351</u>
Cash flows from investing activities:	
Interest on investments	<u>210</u>
Net decrease in cash and cash equivalents	(2,968)
Cash and cash equivalents beginning of year	<u>29,980</u>
Cash and cash equivalents end of year	<u>\$ 27,012</u>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (79,927)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,786
Commodities used	7,713
Decrease in accounts receivable	8
(Increase) in inventories	(372)
Increase in accounts payable	1,784
Increase in salaries and benefits payable	<u>479</u>
Net cash used in operating activities	\$ <u><u>(68,529)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$7,713 of federal commodities.

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2005

	Private Purpose Trust	Scholarship
Assets:		
Cash and pooled investments	\$ 10,367	
Accrued interest receivable		<u>23</u>
Total assets		<u>10,390</u>
Liabilities:		
None		<u>-</u>
Net assets:		
Reserved for scholarships	\$	<u><u>10,390</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2005

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>224</u>
Deductions:	
Support services:	
Scholarships awarded	<u>271</u>
Change in net assets	(47)
Net assets beginning of year	<u>10,437</u>
Net assets end of year	\$ <u><u>10,390</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

Lamoni Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Lamoni, Iowa, and the predominate agricultural territory in Decatur County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lamoni Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Lamoni Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Decatur County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District's proprietary fund is the Enterprise, School Nutrition Fund, used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2005.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the four functional areas.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>490,756</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ <u>59,278</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year, as Restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	923,449	107,092	-	1,030,541
Total capital assets not being depreciated	928,449	107,092	-	1,035,541
Capital assets being depreciated:				
Buildings	1,894,908	-	-	1,894,908
Improvements other than buildings	150,998	-	-	150,998
Furniture and equipment	384,470	-	-	384,470
Total capital assets being depreciated	2,430,376	-	-	2,430,376
Less accumulated depreciation for:				
Buildings	870,358	38,330	-	908,688
Improvements other than buildings	117,249	6,750	-	123,999
Furniture and equipment	296,687	20,541	-	317,228
Total accumulated depreciation	1,284,294	65,621	-	1,349,915
Total capital assets being depreciated, net	1,146,082	(65,621)	-	1,080,461
Governmental activities capital assets, net	\$ 2,074,531	\$ 41,471	\$ -	\$ 2,116,002

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 43,873	\$ -	\$ -	\$ 43,873
Less accumulated depreciation	32,642	1,786	-	34,428
Business-type activities capital assets, net	<u>\$ 11,231</u>	<u>\$ (1,786)</u>	<u>\$ -</u>	<u>\$ 9,445</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 14,501

Support services:

Administration

4,254

Operation and maintenance of plant services

4,808

23,563

Unallocated depreciation

42,058

Total governmental activities depreciation expense

\$ 65,621

Business-type activities:

Food service operations

\$ 1,786

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Bonds	Capital Loan Notes	Total
Balance beginning of year	\$ 105,000	\$ 470,000	\$ 575,000
Additions	-	-	-
Reductions	105,000	45,000	150,000
Balance end of year	\$ -	\$ 425,000	\$ 425,000
Due within one year	\$ -	\$ 50,000	\$ 50,000

Capital Loan Notes Payable

Details of the District's June 30, 2005 capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	2.00 %	\$ 50,000	\$ 13,180	\$ 63,180
2007	2.40	50,000	12,180	62,180
2008	2.80	50,000	10,980	60,980
2009	3.05	50,000	9,580	59,580
2010	3.35	55,000	8,054	63,054
2011	3.50	55,000	6,212	61,212
2012	3.65	55,000	4,288	59,288
2013	3.80	60,000	2,280	62,280
		\$ 425,000	\$ 66,754	\$ 491,754

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Operating Lease

During the year ended June 30, 2004, the District renewed an operating lease for school buses for a two year period.

During the year ended June 30, 2005, the District made nine monthly payments of \$6,175 for two 53 passenger buses and a 71 passenger bus for a total of \$55,571.

Future minimum lease payments using the 2004-2005 fiscal year base payments amount of \$6,175 and a nine month school year are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2006	\$ <u><u>55,571</u></u>

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$101,941, \$104,205, and \$104,247 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Lamoni Community School District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 8. Risk Management (continued)

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$422,807.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Lamoni Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$104,363 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 10. Restatement of Beginning Balances

During the year ended June 30, 2005, the District discovered the omission of amounts paid for construction in progress from the capital asset listing for the prior year. The value of the construction in progress at June 30, 2004 was \$141,017. The addition of this asset has the following effects on the beginning balances of the financial statements:

	Statement of Activities, Governmental Activities	Capital Assets, Net
Balance as previously reported at June 30, 2004	\$ 2,679,716	\$ 1,933,514
Addition of construction in progress	<u>141,017</u>	<u>141,017</u>
Balance as restated on July 1, 2004	<u>\$ 2,820,733</u>	<u>2,074,531</u>

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Required Supplementary Information

LAMONI COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 1,477,716	\$ 60,012	\$ 1,537,728	\$ 1,431,641	\$ 106,087
Intermediate sources	44,442	-	44,442	-	44,442
State sources	1,767,680	1,799	1,769,479	1,847,145	(77,666)
Federal sources	404,896	71,265	476,161	367,000	109,161
Total receipts	3,694,734	133,076	3,827,810	3,645,786	182,024
DISBURSEMENTS:					
Instruction	2,060,870	-	2,060,870	2,661,666	600,796
Support services	1,145,624	-	1,145,624	1,452,635	307,011
Non-instructional programs	4,233	136,044	140,277	166,346	26,069
Other expenditures	399,695	-	399,695	490,911	91,216
Total disbursements	3,610,422	136,044	3,746,466	4,771,558	1,025,092
Excess (deficiency) of receipts over (under) disbursements	84,312	(2,968)	81,344	(1,125,772)	1,207,116
Other financing sources, net	746	-	746	-	746
Excess (deficiency) of receipts and other financing sources over (under) disbursements	85,058	(2,968)	82,090	(1,125,772)	1,207,862
Balance beginning of year	1,374,262	29,980	1,404,242	1,156,312	247,930
Balance end of year	\$ 1,459,320	\$ 27,012	\$ 1,486,332	\$ 30,540	\$ 1,455,792

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 3,694,734	\$ 92,437	\$ 3,787,171
Expenditures	3,610,422	(7,703)	3,602,719
Net	84,312	100,140	184,452
Other financing sources (uses)	746	-	746
Beginning fund balances	1,374,262	(141,387)	1,232,875
Ending fund balances	<u>\$ 1,459,320</u>	<u>\$ (41,247)</u>	<u>\$ 1,418,073</u>
	Proprietary Fund		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 133,076	\$ 1,633	\$ 134,709
Expenses	136,044	3,676	139,720
Net	(2,968)	(2,043)	(5,011)
Beginning net assets	29,980	8,194	38,174
Ending net assets	<u>\$ 27,012</u>	<u>\$ 6,151</u>	<u>\$ 33,163</u>

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. No amendments were made to the budget during the year.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the four functional areas.

Other Supplementary Information

LAMONI COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Assets				
Cash and pooled investments	\$ 82,527	\$ 36,226	\$ 149,767	\$ 14,747
Receivables:				
Property tax:				
Current year	1,225	-	2,106	2,770
Succeeding year	45,000	-	76,000	-
Accrued interest	197	52	372	104
Income surtax	-	-	15,298	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 128,949</u>	<u>\$ 36,278</u>	<u>\$ 243,543</u>	<u>\$ 17,621</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 1,613	\$ 1,374	\$ -
Deferred revenue:				
Succeeding year property tax	45,000	-	76,000	-
Other	-	-	15,298	-
Total liabilities	<u>45,000</u>	<u>1,613</u>	<u>92,672</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	17,621
Unreserved:				
Undesignated	<u>83,949</u>	<u>34,665</u>	<u>150,871</u>	<u>-</u>
Total fund equity	<u>83,949</u>	<u>34,665</u>	<u>150,871</u>	<u>17,621</u>
Total liabilities and fund equity	<u>\$ 128,949</u>	<u>\$ 36,278</u>	<u>\$ 243,543</u>	<u>\$ 17,621</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 123,603	\$ 406,870
-	6,101
-	121,000
307	1,032
-	15,298
<u>78,307</u>	<u>78,307</u>
<u>\$ 202,217</u>	<u>\$ 628,608</u>

\$ -	\$ 2,987
-	121,000
-	15,298
<u>-</u>	<u>139,285</u>

-	17,621
<u>202,217</u>	<u>471,702</u>
<u>202,217</u>	<u>489,323</u>
<u>\$ 202,217</u>	<u>\$ 628,608</u>

LAMONI COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2005

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 48,367	\$ -	\$ 121,142	\$ 111,500
Other	1,769	88,161	3,285	1,417
Total revenues	50,136	88,161	124,427	112,917
Expenditures:				
Current:				
Instruction:				
Other instruction	-	84,144	-	-
Support services:				
Administration services	3,599	-	-	-
Operation and maintenance of plant services	44,617	-	-	-
Other expenditures:				
Facilities acquisition	-	-	15,759	-
Long term debt:				
Principal	-	-	-	150,000
Interest and fiscal charges	-	-	-	20,373
Total expenditures	48,216	84,144	15,759	170,373
Excess (deficiency) of revenues over (under) expenditures	1,920	4,017	108,668	(57,456)
Other financing sources (uses):				
Interfund transfers in	-	-	-	59,278
Interfund transfers out	-	-	(59,278)	-
Total other financing sources (uses)	-	-	(59,278)	59,278
Excess (deficiency) of revenues over (under) expenditures and other financing uses	1,920	4,017	49,390	1,822
Fund balances beginning of year	82,029	30,648	101,481	15,799
Fund balances end of year	\$ 83,949	\$ 34,665	\$ 150,871	\$ 17,621

See accompanying independent auditor's report.

<u>Capital Projects</u>		<u>Total</u>	
\$	179,560	\$	460,569
	1,849		96,481
	<u>181,409</u>		<u>557,050</u>
	-		84,144
	-		3,599
	-		44,617
	101,357		117,116
	-		150,000
	-		20,373
	<u>101,357</u>		<u>419,849</u>
	80,052		137,201
	-		59,278
	-		(59,278)
	<u>-</u>		<u>-</u>
	80,052		137,201
	<u>122,165</u>		<u>352,122</u>
\$	<u><u>202,217</u></u>	\$	<u><u>489,323</u></u>

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Computer Club	\$ 65	\$ -	\$ -	\$ 65
Playground	320	-	64	256
Drama Club	-	-	-	-
Interest Fund	834	487	-	1,321
Academic Team	630	100	-	730
Yearbook	456	3,685	5,923	(1,782)
Elementary Yearbook	850	-	-	850
Music Booster Uniforms	380	-	-	380
Future Farmers of America	2,875	10,118	8,247	4,746
National Honor Society	(68)	3,904	3,984	(148)
Spanish Club	137	-	-	137
Speech	(16)	-	-	(16)
Band	1,809	5,981	4,951	2,839
Orchestra	1,405	75	377	1,103
Demon Success	463	7	145	325
Seniors	(576)	18,019	17,792	(349)
Juniors	534	4,862	4,897	499
Sophomores	(111)	-	-	(111)
Freshmen	(34)	-	-	(34)
Middle School	1,374	779	665	1,488
Helping Hands	(81)	-	-	(81)
Student Council	(1,140)	3,729	2,557	32
Vocal	(337)	6,996	6,110	549
Athletics	20,765	29,314	28,405	21,674
Music Festival	114	-	-	114
Peer Helpers	-	105	27	78
Total	\$ 30,648	\$ 88,161	\$ 84,144	\$ 34,665

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,216,070	\$ 1,067,949	\$ 897,272	\$ 901,714
Tuition	196,308	249,622	221,426	229,121
Other	178,995	150,433	149,740	171,723
Intermediate sources	44,442	30,029	14,872	16,740
State sources	1,767,497	1,627,839	2,302,866	1,624,255
Federal sources	383,859	343,952	250,789	188,941
Total revenues	<u>\$ 3,787,171</u>	<u>\$ 3,469,824</u>	<u>\$ 3,836,965</u>	<u>\$ 3,132,494</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,199,287	\$ 1,158,218	\$ 1,092,583	\$ 1,051,273
Special instruction	574,898	558,389	580,141	556,872
Other instruction	315,724	313,468	314,356	328,368
Support services:				
Student services	161,457	147,948	160,465	112,520
Instructional staff services	57,960	70,901	156,895	126,794
Administration services	366,236	356,251	351,101	378,284
Operation and maintenance of plant services	364,932	380,067	348,418	253,474
Transportation services	166,140	155,489	171,429	142,002
Non-instructional programs	4,233	5,584	4,949	4,267
Other expenditures:				
Facilities acquisition	117,116	660,454	415,094	21,601
Long-term debt:				
Principal	150,000	130,000	90,000	85,000
Interest and fiscal charges	20,373	23,335	15,945	20,322
AEA flowthrough	104,363	103,478	111,847	110,090
Total expenditures	<u>\$ 3,602,719</u>	<u>\$ 4,063,582</u>	<u>\$ 3,813,223</u>	<u>\$ 3,190,867</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Lamoni Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lamoni Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 16, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lamoni Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamoni Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Lamoni Community School District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lamoni Community School District and other parties to whom Lamoni Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lamoni Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
August 16, 2005

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The bank deposits, the posting of the cash receipts journal, and making journal entry adjustments to the general ledger were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We have increased involvement of a second individual in the accounting functions in recent years, including the bank reconciliations, check preparation, and mailing. We will investigate other areas where it may be possible to strengthen internal control.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-05 Student Activity Fundraising – We noted in our testing of Special Revenue, Student Activity Fund receipts that the District has no reconciliation procedures or fundraising summary to match fundraising activities to related expenditures.

Recommendation – The District should implement control procedures over all Student Activity fundraising activities. All fundraisers should be pre-approved by the Superintendent or Board of Education. Activity sponsors should be required to complete a fundraiser summary/reconciliation form typing all receipts to the associated costs of supplies and providing all profit margin information.

Response – We have been working on this reconciliation. Will be required for all fundraisers for the fiscal year ending June 30, 2006.

Conclusion – Response accepted.

I-C-05 Financial Condition – We noted that several individual accounts within the Special Revenue Fund, Student Activity had deficit balances at June 30, 2005.

Recommendation – The District should look into ways to eliminate these deficit balances.

Response – We will attempt to eliminate the deficit balances.

Conclusion – Response accepted.

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-D-05 Bank Reconciliation – Year end bank reconciliations were done as of June 20, 2005 for the fiscal year ended June 30, 2005. This leaves a gap in activity between the general ledger transactions and the bank balance of 10 days that must then be reconciled.

Recommendation – The District should contact their bank to obtain a cut-off bank statement as of June 30 of the current year and prepare a true year end bank reconciliation.

Response – We have contacted the bank and were told we would be unable to obtain a cut-off statement. We are discussing this matter further with bank officials.

Conclusion – Response accepted.

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, did not exceed the amount budgeted in any of the four functional areas.
- II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-05 Revenue/Expenditure Classification – We noted several errors in revenue and expenditure classification codes. These source and use codes are standard account numbers as adopted by the State of Iowa to enable all state and federal grants to be accurately traced through the District’s system to aid in monitoring the allowability of specific expenditures and tie expenditures to the related grant revenues.

Recommendation – The District should use the standard account numbers as established by the State of Iowa for all grant revenues and related expenditures. The District should also review the chart of accounts and remove all unused and inaccurate numbers.

Response – We will make the necessary changes to our chart of accounts and use the correct classification numbers in the future.

Conclusion – Response accepted.

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